

Direct Dial: 215.841.4635

March 1, 2011

**Overnight Mail and First-Class Mail**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120

RECEIVED

MAR 1 2011

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**Re: Handling of Auction Revenue Rights for the PECO Default Supply Share and Revisions to the Timing of PECO's Spring Procurement - Docket No. P-2008-2062739**

Dear Secretary Chiavetta:

The purpose of this letter is to provide formal notification of two developments relative to the PECO Energy Company ("PECO" or "the Company") Default Service Plan. The first relates to the Company's plans for handling Auction Revenue Rights ("ARRs") for the 25% PECO share of its Residential load for the 2011-2012 PJM planning year. The second relates to the timing of this Spring's procurement.

**Handling of Auction Revenue Rights**

As an outcome of the Default Supply Program ("DSP") approved settlement, 75% of Residential default supply is provided under full requirements contracts, and the remaining 25% of supply is provided through a combination of block energy and spot market purchases. Because PECO serves as the load serving entity for the 25%, it has the option to receive ARR in the upcoming annual PJM Financial Transmission Rights ("FTR") auction process and receive an allocation of revenues (or charges) from the Annual FTR Auction. An allocation of revenues would represent positive economic value; an allocation of charges would represent negative economic value.

PECO has evaluated its options to participate in the upcoming 2011-2012 ARR/FTR market and intends to implement a conservative ARR strategy that is likely to yield net positive economic benefits for residential DSP customers. PECO, and its consultant, analyzed historic FTR auction outcomes and historic congestion patterns between the PECO Zone and generating units that have historically served load in the PECO Zone. PECO and its consultant have also used a wholesale market dispatch model to forecast ARR values for the 2011-2012 PJM planning year. PECO's intent is to participate in Stage 1 only of the ARR process and PECO intends to receive

March 1, 2011

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission

Page 2

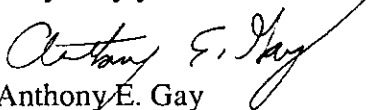
the value of the ARR that it is successful in receiving from its nominations. The Company plans to flow the value of the ARR to residential DSP customers in the Generation Supply Adjustment ("GSA"). PECO is currently receiving and passing on to customers ARR revenues that have been reassigned to its Load Serving Entity accounts as of January 1, 2011. Such revenues will continue until the end of the current planning year on May 31, 2011. PECO will also recover the cost of the consultant for the ARR analysis in the GSA.

**Timing of the Spring Procurement**

The Company is revising the schedule for its Spring 2011 Request For Proposals ("RFP") for Default Supply. Specifically, PECO is moving the bid date from May 23 to May 2 in order to allow sufficient time to arrange for winning bidders to serve the Full Requirements Spot Price tranches which have been added to this RFP. Not all of these tranches were approved or subscribed in the Fall 2010 RFP, which necessitated adding the open tranches to the Spring 2011 RFP. This schedule was developed to take into account other planned default service RFPs in the region. NERA Economic Consulting, Inc. ("NERA"), the third-party administrator for PECO's default supply procurements, supports moving the bid date from May 23 to May 2. The full schedule for the Spring 2011 Solicitation is attached to this letter.

Please do not hesitate to contact me should you have any questions regarding this letter.

Very truly yours,

  
Anthony E. Gay  
Associate General Counsel

Enclosures

cc:

**Via Electronic Mail and First-Class Mail**

Certificate of Service

RECEIVED

MAR 1 2011

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

<b>Spring 2011 Solicitation</b>		
<b>Activity</b>	<b>Scheduled Date</b>	<b>Early May Bid Date</b>
Prospective suppliers participate in the Guaranty Process	Friday, March 04, 2011	Friday, February 11, 2011
Approved modifications to Form of Guaranty posted	Wednesday, March 23, 2011	Wednesday, March 02, 2011
Decision on alternate guaranty forms	Friday, March 25, 2011	Friday, March 04, 2011
Bidder Information Session	Friday, April 01, 2011	Friday, March 18, 2011
Part 1 Proposal Window Opens	Tuesday, April 26, 2011	Tuesday, April 05, 2011
Part 1 Date (Part 1 Proposal Window Closes)	Tuesday, May 03, 2011	Tuesday, April 12, 2011
Part 1 Notification Date	Friday, May 06, 2011	Friday, April 15, 2011
Part 2 Proposal Window Opens	Tuesday, May 10, 2011	Tuesday, April 19, 2011
Bid Submission training	Thursday, May 12, 2011	Thursday, April 21, 2011
Part 2 Date (Part 2 Proposal Window Closes)	Tuesday, May 17, 2011	Tuesday, April 26, 2011
Part 2 Notification Date	Friday, May 20, 2011	Friday, April 29, 2011
Bid Date (Bids are Due)	Monday, May 23, 2011	Monday, May 02, 2011
IE provides its report to the PUC	Tuesday, May 24, 2011	Tuesday, May 03, 2011
PUC Decision (close of business)	Wednesday, May 25, 2011	Wednesday, May 04, 2011
<b><u>If Bids are approved by the PUC:</u></b>		
PECO executes the Default Service SMA and Block Energy SMA	Within three business days of the Bid Date	Within three business days of the Bid Date
PECO sends Transaction Confirmations by overnight delivery service and fax	By noon on the third business day after the Bid Date	By noon on the third business day after the Bid Date
Default Service and Block Energy Suppliers meet the creditworthiness requirements and execute all Transaction Confirmation(s)	By 2:00 PM on the fourth business day after the Bid Date	By 2:00 PM on the fourth business day after the Bid Date

**RECEIVED**

MAR 1 2011

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PETITION OF PECO ENERGY** :  
**COMPANY FOR EXPEDITED** :  
**APPROVAL OF ITS DEFAULT** : **Docket No. P-2008-2062739**  
**SERVICE PROGRAM AND RATE** :  
**MITIGATION PLAN** :

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served copies of the foregoing letter in the above-captioned matter in the manner as set forth below, in accordance with the requirements of 52 Pa. Code § 1.54:

**VIA ELECTRONIC MAIL AND FIRST CLASS MAIL**

Charles D. Shields, Esquire  
Senior Prosecutor  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
P.O. Box 3265  
Harrisburg, PA 17105-3265  
[chshields@state.pa.us](mailto:chshields@state.pa.us)

Tanya J. McCloskey, Esquire  
Christy M. Appleby, Esquire  
Candis Tunilo, Esquire  
Darlene R. Wong  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5<sup>th</sup> Floor  
Harrisburg, PA 17101-1923  
[tmccloskey@paoca.org](mailto:tmccloskey@paoca.org)  
[cappleby@paoca.org](mailto:cappleby@paoca.org)  
[ctunilo@paoca.org](mailto:ctunilo@paoca.org)  
[cshoen@paoca.org](mailto:cshoen@paoca.org)

Daniel Asmus, Esquire  
William R. Lloyd, Jr.  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101  
[dasmus@state.pa.us](mailto:dasmus@state.pa.us)  
[willloyd@state.pa.us](mailto:willloyd@state.pa.us)

Gary A. Jeffries, Esquire  
Senior Counsel  
Dominion Retail, Inc.  
501 Martindale St., Suite 400  
Pittsburgh, PA 15212-5817  
[Gary\\_A\\_Jeffries@dom.com](mailto:Gary_A_Jeffries@dom.com)

**RECEIVED**

MAR 1 2011

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

J. Barry Davis, Esquire  
Chief Deputy City Solicitor  
Regulatory Affairs  
City of Philadelphia  
Law Department  
1515 Arch Street, 16<sup>th</sup> Floor  
Philadelphia, PA 19102  
[j.barry.davis@phila.gov](mailto:j.barry.davis@phila.gov)  
[scott.schwarz@phila.gov](mailto:scott.schwarz@phila.gov)  
(*City of Philadelphia*)

David M. Kleppinger, Esquire  
Charis Mincavage, Esquire  
Vasiliki Karandrikas, Esquire  
McNees Wallace & Nurick, LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166  
[dkleppinger@mwn.com](mailto:dkleppinger@mwn.com)  
[cmincavage@mwn.com](mailto:cmincavage@mwn.com)  
[vkandrikas@mwn.com](mailto:vkandrikas@mwn.com)  
(*Philadelphia Area Industrial Energy Users  
Group*)

Todd S. Stewart, Esquire  
Hawke McKeon & Sniscak LLP  
Harrisburg Energy Center  
100 North Tenth Street  
P.O. Box 1778  
Harrisburg, PA 17105-1778  
[tsstewart@hmslegal.com](mailto:tsstewart@hmslegal.com)  
(*Dominion Retail, Inc.*)

Daniel Clearfield, Esquire  
Deanne M. O'Dell, Esquire  
Carl R. Shultz, Esquire  
Eckert Seamans  
213 Market Street, 8th Floor  
Harrisburg, PA 17101  
[dclearfield@eckertseamans.com](mailto:dclearfield@eckertseamans.com)  
[dodell@eckertseamans.com](mailto:dodell@eckertseamans.com)  
[cshultz@eckertseamans.com](mailto:cshultz@eckertseamans.com)  
(*Retail Energy Supply Association;  
Direct Energy Services, LLC*)

Divesh Gupta, Esquire  
Constellation Energy Resources, LLC  
111 Market Place  
Suite 500  
Baltimore, MD 21202  
[divesh.gupta@constellation.com](mailto:divesh.gupta@constellation.com)

Paul F. Mapelli, Esquire  
Vice President and General Counsel  
Consolidated Edison Solutions, Inc.  
701 Westchester Avenue  
Suite 300 East  
White Plains, NY 10604  
[mapellip@conedsolutions.com](mailto:mapellip@conedsolutions.com)

2

Thomas T. Niesen, Esquire  
Charles E. Thomas, III, Esquire  
Thomas, Long, Niesen & Kennard  
212 Locust Street  
P.O. Box 9500  
Harrisburg, PA 17108-9500  
[tniesen@thomaslonglaw.com](mailto:tniesen@thomaslonglaw.com)  
[cet3@thomaslonglaw.com](mailto:cet3@thomaslonglaw.com)  
(Consolidated Edison Solutions, Inc.)

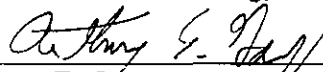
Mark Baird  
RRI Energy, Inc.  
7642 West 450 North  
Sharpesville, IN 48068  
[mbaird@rrienergy.com](mailto:mbaird@rrienergy.com)  
(RRI Energy, Inc.)

Thu B. Tran, Esquire  
Philip A. Bertocci, Esquire  
Jonathan M. Stein, Esquire  
Community Legal Services, Inc.  
1424 Chestnut Street  
Philadelphia, PA 19102  
[ttran@clsphila.org](mailto:ttran@clsphila.org)  
[pbertocci@clsphila.org](mailto:pbertocci@clsphila.org)  
[jstein@clsphila.org](mailto:jstein@clsphila.org)  
(Tenant Union Representative Network;  
Action Alliance of Senior Citizens of Greater  
Philadelphia; Association of Community  
Organizations for Reform Now)

RECEIVED

MAR 1 2011

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU



---

Anthony E. Gay  
Associate General Counsel  
**Exelon BSC Legal**  
2301 Market Street, S23-1  
Philadelphia, PA 19103  
Phone: 215-841-4635  
Fax: 215-568-3389  
E-mail: [Anthony.Gay@Exeloncorp.com](mailto:Anthony.Gay@Exeloncorp.com)

Dated: March 1, 2011

From: (215) 841-8853  
 Mincy Branch  
 EXELON  
 2301 MARKET STREET  
 S23-1  
 PHILADELPHIA, PA 19103

Origin ID: REDA



J11101012220225

Ship Date: 01MAR11  
 ActWgt: 1.0 LB  
 CAD: 102146367/NET3130

Delivery Address Bar Code



Ref #  
 Invoice #  
 PO #  
 Dept #

SHIP TO: (717) 789-8009

BILL SENDER

**Rosemary Chiavetta**  
**Penna. Public Utility Commission**  
**400 NORTH ST FL 2**  
**COMMONWEALTH KEYSTONE BUILDING**  
**HARRISBURG, PA 17120**

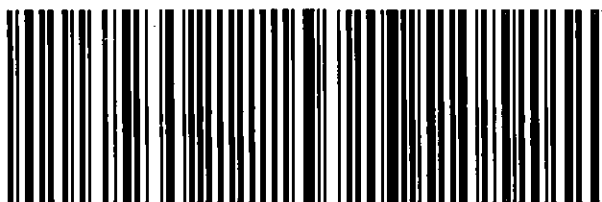
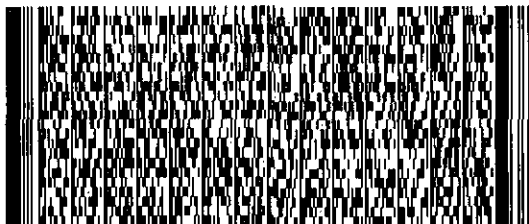
WED - 02 MAR A1  
 STANDARD OVERNIGHT

TRK# 7968 1891 1652

8201

**ZN MDTA**

17120  
 PA-US  
 MDT



50DG1/396A7/EFB

**After printing this label:**

1. Use the 'Print' button on this page to print your label to your laser or inkjet printer.
2. Fold the printed page along the horizontal line.
3. Place label in shipping pouch and affix it to your shipment so that the barcode portion of the label can be read and scanned.

**Warning:** Use only the printed original label for shipping. Using a photocopy of this label for shipping purposes is fraudulent and could result in additional billing charges, along with the cancellation of your FedEx account number.

Use of this system constitutes your agreement to the service conditions in the current FedEx Service Guide, available on fedex.com. FedEx will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value; pay an additional charge, document your actual loss and file a timely claim. Limitations found in the current FedEx Service Guide apply. Your right to recover from FedEx for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of \$100 or the authorized declared value. Recovery cannot exceed actual documented loss. Maximum for items of extraordinary value is \$500, e.g. jewelry, precious metals, negotiable instruments and other items listed in our Service Guide. Written claims must be filed within strict time limits, see current FedEx Service Guide.